

Lesson 4. Real Estate Fraud

Lesson Purpose

To focus on real estate fraud including foreclosure bailout, home equity and home renovation fraud, rental fraud and deceptive timeshares.

Learning Objectives

Participants will be able to:

- Recognize signs of real estate fraud.
- Describe and practice strategies to protect them from real estate fraud.
- Identify key resources to assist in preventing or responding to real estate fraud.

Materials

Presentation: Real Estate Fraud

Handout(s): Real Estate Fraud

Supplement: Display copies of fraudulent offers involving real estate; newspaper and magazine articles about various types of real estate fraud.

Related Resources

National Crime Prevention Council, www.ncpc.org

National Fraud Information Center- (800)-876-7060, or www.fraud.org

Virginia Office of Consumer Affairs- (800)-552-9963, or
www.vdacs.virginia.gov/consumers/index.html

Better Business Bureau Elder Fraud Hotline- (804)-780-2222, or www.bbb.org

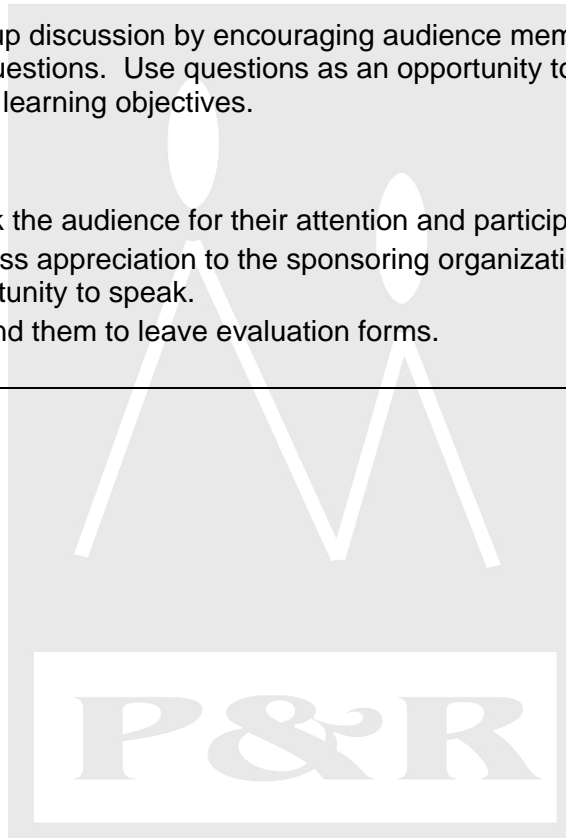
Lesson Plan

Time	Main Points	Slides
	Introduction	
4 min.	Background Real estate schemes, scams and fraud all constitute a form of theft which criminals use to steal your home or real property. Adhering to the principle that a person's home is his or her castle, this is possibly the most devastating form of victimization.	1 – 2
	Briefly describe a local example of real estate fraud.	
	Today, we will talk about several forms of real estate fraud so that you will recognize possibly fraudulent offers and will know how to avoid becoming a victim.	3
	Distribute handout(s).	

Presentation		
1 min.	<p>Types of Real Estate Fraud</p> <p>Con artists may use several methods to swindle you in a real estate fraud scheme. Here are a few types of real estate frauds we see regularly:</p>	4
2 min.	<p><u>Foreclosure Bailout</u></p> <p>Victims of this form of real estate fraud are generally homeowners who owe more money on their home's mortgage than the home is worth. They are caught in dire straits due to the need to sell their home, and must do so at a loss or let their mortgage company foreclose on their home. At this point a so-called "bailout specialist" will offer the victim the opportunity to arrange for a short sale of their home. In this form of fraud, the homeowner usually will be told that for a fee of \$1,000 to \$2,500, the homeowner can deed their home to the bailout specialist and then rent it back. The bailout specialist takes the money, does not arrange for the short sale, and does not make any payments on the mortgage. The end results are that the home loan payments are not made and the mortgage goes into foreclosure, without the victim being aware of any fraud. Ultimately, the home is foreclosed upon; the victim is evicted, and loses both his home and the \$1,000 to \$2,500 fee charged by the so-called specialist.</p>	4
2 min.	<p><u>Home Equity and Home Renovation Fraud</u></p> <p>Fast-talking salespersons will offer to refinance your home at a lower interest rate to provide cash to the homeowner. The cash can be used to pay for home improvements or to pay off bills. Victims are frequently asked to sign blank contracts or contracts that they were not allowed to read before signing. Later, the homeowner discovers that they signed a contract that contains terms in contrast to the originally promised terms. This results in the loss of equity in the victim's home. They also discover that they have signed a mortgage with considerably higher interest rates. The homeowner now is faced with a higher mortgage payment, one that he may not be able to afford.</p>	4
2 min.	<p><u>Rental Fraud</u></p> <p>Frequently, con artists will rent homes they do not own. They will locate a vacant or abandoned home, enter it, change the locks, and then advertise the property as available for rent.</p> <p>The unsuspecting victim rents the property from the con artist, who collects a security deposit and rent from the victim, and then disappears. The victim, who rented the property, is then evicted by the lawful owner and subsequently loses his place to live, along with the money he paid for the security deposit and rent.</p>	4
2 min.	<p><u>Deceptive Timeshares</u></p> <p>Timeshares may offer to sell membership vacation accommodations. Con artists may make oral promises that are omitted from the written</p>	4

	contract. They also may fail to mention fees and obligations that appear in the written contract, but were never mentioned orally. These misrepresentations likely will be discovered while signing the contract and are downplayed by the salesperson as only "legal jargon." Victims are not told the extent to which the annual maintenance fee will increase over time, they will be forced to pay special assessment fees, or they will face the difficulty of reselling a timeshare.	
2 min.	<u>Effects of Fraud</u> The crime of fraud is a personal violation. Although there is no serious physical injury, many victims of con artists suffer emotional harm by losing the following: <ul style="list-style-type: none"> ▪ Financial security ▪ Family home ▪ Business ▪ Inheritance ▪ Retirement savings or children's educational funds ▪ Professional or personal credibility 	5
2 min.	Agencies that may be able to assist <ul style="list-style-type: none"> ▪ Virginia Office of Consumer Affairs (800)-552-9963, or www.vdacs.virginia.gov/consumers/index.html ▪ Better Business Bureau Elder Fraud Hotline (804)-780-2222, or www.bbb.org ▪ National Fraud Information Center (800)-876-7060, or www.fraud.org 	6
5 min.	Summarizing <ul style="list-style-type: none"> ▪ Victims of fraud come from a variety of backgrounds. ▪ Some swindlers seek out families that may have limited means or encounter financial difficulties, figuring such persons may be particularly receptive to a proposal that offers fast and large profits. ▪ Best prevention strategy: Don't sign contracts until you have read them carefully and, even better, have had them reviewed by a lawyer or other knowledgeable expert. ▪ Your first step: report the incident to your local police department. 	7
Practice/feedback		
10 min.	Have participants organize into small groups of 4 or 5. Ask participants to review the types of real estate fraud on their handout; then to discuss strategies for avoiding each type of fraud in their small groups. Allow participants 5 to 7 minutes for discussion; then ask 2 or 3 volunteers to share what they would advise others to do to avoid real estate fraud. Instructor highlights effective strategies used, solicits audience to name other strategies that could be used and reinforces key learning points.	8

Evaluation		
10 min.	<p>Set-up</p> <p>We have a few minutes for questions and additional discussion. While we're doing that, we have a brief evaluation form we'd like for you to complete and leave with us. Your name is not required, but your feedback is very important. It will help us improve our presentation and program.</p> <p>Distribute evaluation forms and ask for questions or additional comments on what has been presented.</p> <p>Promote group discussion by encouraging audience members to help respond to questions. Use questions as an opportunity to clarify and reinforce key learning objectives.</p> <p>Wrap-up</p> <ul style="list-style-type: none"> ▪ Thank the audience for their attention and participation. ▪ Express appreciation to the sponsoring organization for the opportunity to speak. ▪ Remind them to leave evaluation forms. 	9



4. Real Estate Fraud

Please tell us what you think about this lesson by circling the numbers that most closely reflect your opinions.

After this lesson . . .	Strongly Disagree	Disagree	Agree	Strongly Agree
a) I am better able to recognize signs of real estate fraud.	1	2	3	4
b) I know more strategies to protect myself from real estate fraud.	1	2	3	4
c) I know more about resources to assist in preventing or responding to real estate fraud.	1	2	3	4
d) I am now more likely to report activities or offers that appear to be real estate fraud.	1	2	3	4
About this lesson . . .				
e) The information presented was valuable.	1	2	3	4
f) The lesson was presented in a clear and understandable manner.	1	2	3	4
g) Lesson activities and discussion were helpful.	1	2	3	4
h) I would recommend this lesson to others.	1	2	3	4

What was the most valuable thing you learned?

Please give one example of how you plan to use the information presented in this lesson.

How could this lesson be improved?

